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The Newspaper of the Non-Profit World

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HOW MUCH SHOULD CHARITIES PAY?

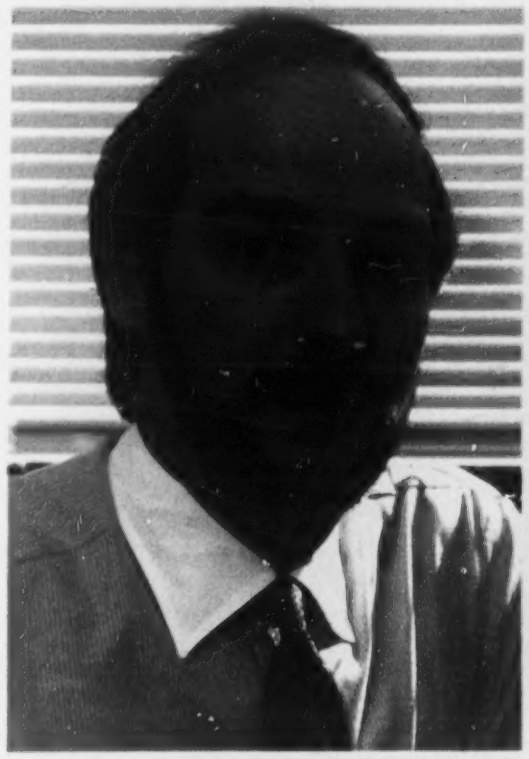
United Way of America case has forced non-profits to explain how they set executive salaries; some call that discussion overdue

By STEPHEN G. GREENE

SALARIES OF NON-PROFIT EXECUTIVES have become matters of national attention, threatening to fuel the kinds of expressions of envy, interest, or outrage usually reserved for the compensation of ballplayers, legislators, or Fortune 500 corporate executives.

Some officials suggest that only greater candor and vigilance by non-profits, including being clearer about how compensation decisions are made, can forestall action by Congress, state legislatures, and regulatory agencies to curtail abuses.

The Internal Revenue Service believes that unreasonable compensation is a serious problem among tax-exempt organizations, says Jay H. Rotz, a top official in the IRS Exempt Organizations Technical Division. His agency's approach, he adds, is to try to insure that boards of directors understand just how much they are paying their executives—whose compensation packages can sometimes be complex and difficult to decipher.



JOHN DOLAN, FOR THE CHRONICLE

Executive-search consultant David Edell: Non-profit leaders deserve high pay because "their job requires them to be spokespeople, labor negotiators, fund raisers, and fiscally responsible managers."

FRED MERTZ, FOR THE CHRONICLE

Shalan Foundation's Catherine Lerza: "It's imperative that non-profits figure out reasonable salaries, health insurance, and pension plans that make it possible for people to stay in a non-profit career."

"The service isn't going to look the other way," says Mr. Rotz.

Officials at some non-profits deplore the recent public scrutiny, which followed revelations about the compensation of William Aramony, then president of the United Way of America. Those officials fear that reports about salaries will depress contributions to charities already trying to cope with problems exacerbated by the economic recession. They also fear that, as individual salaries are more widely known, unhappiness and resentment among staff members will complicate internal management issues.

"I'm concerned that the people our agency serves will be hurt by this," says Geneva Johnson, president of Family Service America in Milwaukee. "The very person who decides not to give to United Way might be the next person who needs marital counseling or help for a pregnant teen-age daughter."

She adds: "Our whole country is caught up with $463,000 [the compensation package paid to Mr. Aramony]. I hurt that this one thing is doing so much damage at a time when the private sector is filling so many needs that the government is not."

Other observers see a frank discussion of non-profit salaries as long overdue. They hope the result will be a firm new demarcation of the boundary between for-profit and non-profit enterprises, and redoubled efforts by board members to take an active part in overseeing the financial and ethical performance of non-profit organizations.

"My hope," says Jon Pratt, who directs the Minnesota Council on Nonprofits, "is that some of the good that comes out of this is strengthening the reform side of the non-profit sector—and the willingness to ask questions."

Few Raises Are Likely This Year

Even those who welcome the scrutiny fear that one effect—in the short term, at least—will be to curtail raises for top non-profit executives.

Says Kenneth L. Albrecht, president of the National Charities Information Bureau: "If you're the head of a big organization and haven't had a salary increase this year, you're probably not going to get one—and that's not right, either."

The compensation of executives at non-profits

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EUGENE SLYMAN, FOR THE CHRONICLE

Help for Young Offenders

Charities are trying new methods to keep young people out of jail. Above, a college student tutors one such youth. Story on Page 6.

Getting Big Gifts

At San Diego's Scripps hospitals, major donors provide most of the donations and get special privileges. How They Do It: Page 18.

A complete guide to this issue appears on Page 3.

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A guide for the busy reader

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22 Female fund raisers want a bigger role in the field's largest professional organization.

34 Rival fund-raising federations are finding more to worry about than to cheer in the recent problems faced by United Way.

25 Stanford University has successfully completed the largest capital campaign ever, raising $1.25-billion.

25 The Easter Seal Society's annual telethon brought in $46-million.

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25 Seattle's United Way had to drop plans for special aid to minorities and recent immigrants after the number of earmarked donations rose unexpectedly.

25 A Maryland law barring coercive fund raising doesn't apply to United Way, a state court has ruled.

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10 Points of Light 708 to 719 were named by the Bush Administration.

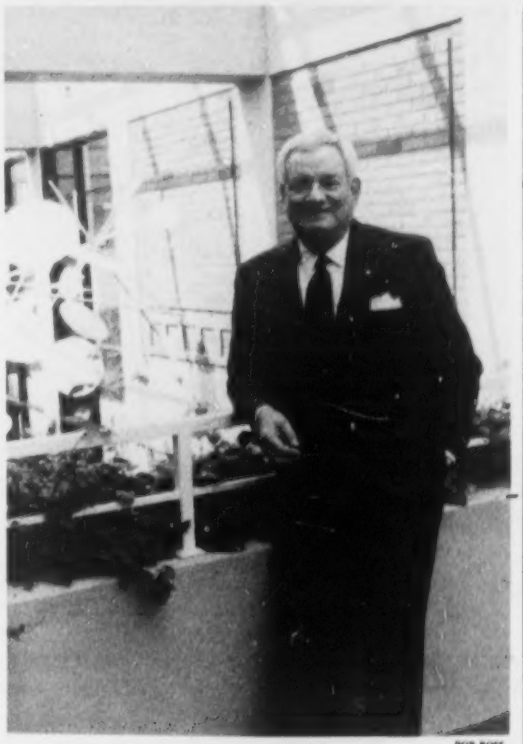
About Education

11 More than 700 networks of schools, foundations, think tanks, and other non-profits have applied for grants from an organization created by several major corporations to push for reform of the nation's schools.

10 Five foundations will provide more than $2-million to train public-school superintendents.

10 A DeWitt Wallace–Reader's Digest Fund grant will establish a new program to aid middle-school students.

23 Fund raisers at private schools are missing out on opportunities to win foundation grants, says the head of one foundation.



BOB ROSS

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About Grant Makers

6 Foundations that deal with criminal-justice issues are giving increased attention to women and young people, whose presence in correctional facilities is on the rise.

10 The Annie E. Casey Foundation will award $28.2-million through two new grant programs aimed at improving state services for poor children.

10 Ontario's Richard Ivey Foundation has added two new environmental programs.

17 The Ewing Marion Kauffman Foundation has started a new center to train entrepreneurs.

12 A Skillman Foundation grant will support a program to help older adults who face a new responsibility: raising their grandchildren.

12 Recent grants by foundations, corporations, and other grant makers.

Of Special Interest to Board Members

1 **The salaries paid to non-profit chief executives—and how they are set—have moved into the national spotlight.**

35 **A bitter struggle among board members of the organization U.S. English, which seeks to make English the country's official language, has become public.**

41 **The United Way of America case shows again that boards are ineffective watchdogs for non-profits, says columnist Waldemar A. Nielsen.**

About Managing Non-Profits

1 The national attention being given to salaries of top non-profit executives has some charity leaders worried. They are afraid a loss of public confidence may cut into donations, encourage increased government regulation, and make it harder to increase the generally low salaries of most non-profit workers.

26 Although non-profit executives' salaries have been public information for five years, many organizations provide the data reluctantly.

27 Critics to the contrary, the new interim president of United Way of America says his ties to the organization's board chairman will help, not hinder, his ability to deal with the group's problems.

34 United Way of America has cut off the annual compensation package of its former president, William Aramony.

35 The organization U.S. English, which seeks to make English the official language of government, is in turmoil following the departure of several top officials.

37 A federal judge in Chicago has ruled that the Boy Scouts of America is not bound by federal anti-discrimination laws in deciding who may or may not join the organization.

10 A New York non-profit has folded a magazine it was publishing to encourage people to become involved in charity.

36 Reports on charities by the Better Business Bureau and National Charities Information Bureau.

Also In This Issue

36 **Tax Watch:** A tough stance on charity electioneering, a ruling involving the unrelated-business income tax, setting the value of a painting, and guidance for a study of fund raising.

40 **Opinion:** The views of three commentators on the aftermath of the United Way of America controversy.

40 **Letters** on how foundations should tackle social problems, on giving the public a return on its investment, and on legal services for the poor.

Corrections

▸ A table showing how federal rules for public charities and pooled common funds differ (February 25) incorrectly described two requirements for the common funds. Such funds must give away all of their adjusted net income to qualified charities each year. Individual donors who contribute to the funds can take a tax deduction for the full fair market value of gifts of appreciated property—such as stock and bonds and real estate—of up to 30 per cent of their adjusted gross income, unless they are subject to the alternative minimum tax.

▸ An article on a survey of members of the Southern California Association for Philanthropy (February 11) gave an incorrect price for copies. The price is $8.50, postpaid.

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Fund Raisers Found to Be More Racially Diverse, but Blacks' Benefits and Women's Salaries Lag

By HOLLY HALL
SAN FRANCISCO

More and more fund raisers come from varied ethnic and racial backgrounds, but blacks in the field receive less-generous fringe benefits than their colleagues do, according to a new survey.

Preliminary findings of the survey, conducted by the National Society of Fund Raising Executives, were released at the organization's annual conference here. The data also show that:

- Woman fund raisers continue to earn less than men. They outnumber men in the field, and the female majority is growing.
- Fund raisers are entering the field at younger ages.
- Fewer fund raisers are meeting their annual monetary goals.
- Fund raisers are working fewer hours than they were four years ago, the last time the survey was conducted.

The survey was completed by 1,557 of the society's 12,644 members.

More Minority Fund Raisers

The number of blacks and other minority-group members in fund raising appears to be growing dramatically. Blacks, American Indians, Asian Americans, and Hispanics made up 10.7 per cent of the respondents in this year's survey, up from 2.7 per cent in 1988 and 1.8 per cent in 1985.

While this year's data have yet to be fully analyzed, the disparity between the benefits provided to black fund raisers and members of other ethnic or racial groups is clear and is the most disturbing finding to emerge so far, said George J. Mongon, a member of the society's board who conducted the survey. Mr. Mongon is a fund-raising consultant at Staley/Robeson/Ryan/St. Lawrence in Cincinnati.

He said this was the first survey that had provided the society with enough information to determine how benefits compare between racial and ethnic groups.

Compared with all other fund raisers, blacks were less likely to have health, major-medical, dental, and disability insurance; professional dues; club memberships; and prescription-drug benefits paid in full by their employers.

Black fund raisers have spent, on average, more than seven years in the field; 80 per cent earned more than $33,000. But their benefits were skimpier than those of fund raisers who earned under $33,000 and those who had less than three years of experience, Mr. Mongon said.

He speculated that one reason blacks may be getting less-generous benefits is that a high proportion may work in traditionally black or other ethnic institutions, which some fund raisers say have lagged behind other non-profits in providing employee benefits.

"Personally, I hope reporting this information to you causes a change for the better," Mr. Mongon told the fund raisers gathered here. "This is not right."

The increasing number of women in fund raising is clear: 58 per cent of the fund raisers responding to this year's survey were female, compared to 52 per cent in 1988, when women first became the majority.

Female fund raisers earned an average of $40,000 annually, while men earned significantly more—$52,600 on average.

A greater proportion of women than men—34.7 and 10.4 per cent, respectively—made $33,000 per year or less. Nearly 70 per cent of the men made between $33,000 and $75,000, compared with 61.4 per cent of the women.

Only 3.6 per cent of female fund raisers earned $75,000 to $115,000, while 16.5 per cent of their male colleagues did. And 0.3 per cent of the women earned more than $115,000, while 3.7 per cent of the men made that much.

The salary gap between the sexes may be less pronounced when fund-raising experience is taken into account, said Mr. Mongon.

"Pay tends to increase with experience, and females are still less likely than men to have 10 or more years of experience in the field," he said.

Female respondents were about as likely as males to receive bonuses, but the men were more likely to get a higher percentage of their salary in bonus pay. Men outnumbered women in getting bonuses that were 9 per cent or more of their salaries, while more females got 8 per cent or less.

Another demographic change revealed by the survey: Most respondents said they were under 30 when they took their first fund-raising job; in 1988, most were 30 to 34 years old when they entered the field.

That people are entering fund raising at younger ages suggests "our profession is becoming better recognized as a legitimate career track by the population at large," Mr. Mongon said.

Trouble Meeting Goals

Compared with 1988, more development officers said they were not meeting their fund-raising goals. In 1988, more than one-third of the respondents said they had reached or exceeded their goals in the preceding five years. This year, only 20 per cent made that claim. More than a quarter of this year's respondents said they had been unable to attain their goals for even two of the preceding five years.

"From the statistics, we can see that fund raising is harder than ever before," Mr. Mongon said. "Between increased needs of organizations and decreased ability of many donors to make gifts in hard economic times, fund raisers are being challenged more."

Thirty-four per cent of the respondents said they were involved in a capital campaign, down from more than 40 per cent four years ago.

Fund raisers worked fewer hours than survey respondents in the 1980's. In 1985, 10 per cent worked 70 hours per week or more; this year, only 2 per cent did.

Even so, slightly more than 25 per cent of fund raisers put in an extra hour each day, while about 30 per cent worked two extra hours daily.

As in 1988, the majority of respondents worked alone or in offices with no more than two other fund raisers. Almost 35 per cent worked alone, while another 37 per cent worked in a small office.

Higher Salaries for Job Switchers

Mr. Mongon said that, up to a point, fund raisers who change jobs have higher salaries than do those who remain in the same position. After working for five different non-profits, however, a fund raiser was likely to see a decrease in salary, he said.

Fund raisers earning more than $115,000, for example, were most likely to have had between three and five employers. But no fund raiser who had worked for seven or more organizations made that much, Mr. Mongon noted.

Fund raisers are donating a lot less to charity, said Mr. Mongon. Thirty per cent of the fund raisers gave more than $1,000 to religious causes, down from 50 per cent in 1988. The average gift decreased from $1,700 in 1988 to about $450. Fund raisers gave an average of $650 to non-religious causes, down from $1,505 in 1988.

Compared with 1988, about the same number of fund raisers volunteered their time to charities other than their employer, but the amount of time they gave decreased. About 78 per cent of fund raisers volunteered their time to other non-profits, down slightly from 80 per cent. But only 2 per cent gave 15 hours or more per month, compared to 7 per cent in 1988.

A full report of the survey findings is expected to be released next month. It will be mailed to NSFRE members. Non-members may purchase a copy for $15. For more information, call the NSFRE sales and marketing department at (800) 666-3863.

Fund Raisers: a Statistical Profile

Sex and Race

	Men	Women	Non-white	Native American	Black
1985*	51.0%	43.0%	1.8%	0.3%	1.1%
1988*	47.0	51.0	2.7	0.8	1.5
1992*	40.8	57.6	10.7	4.4	3.1

Income

	Men	Women	Non-white	All	Receive bonus
Under $33,000	10.4%	34.7%	22.5%	24.0%	8.6%
$33,000-$74,999	69.4	61.4	69.4	63.6	12.1
$75,000-$115,000	16.5	3.6	7.5	8.9	19.3
Over $115,000	3.7	0.3	0.6	1.7	50.0

Fringe Benefits

	Men	Women	Black	Native American	All
Health insurance	48.9%	48.0%	26.7%	46.8%	48.5%
Tuition reimbursement	47.7	30.9	43.9	47.2	37.8
Professional dues	86.9	78.2	66.7	86.9	81.7
Major medical	46.8	42.9	28.9	40.4	44.8
Club memberships	46.6	38.9	37.8	58.8	42.0
Dental	32.2	29.8	19.5	39.3	31.1
Pharmacy/ prescription	24.0	23.3	19.5	24.5	23.8
Travel reimbursement	90.3	78.4	86.4	88.3	83.2
Eye coverage	16.4	15.2	18.4	12.2	15.9
Car/mileage	73.4	64.8	76.7	75.4	68.4
Disability	52.9	49.5	31.0	49.1	50.8

Years in Fund Raising

	Men	Women	All
Under 3 years	9.2%	17.2%	13.6%
3-4 years	8.9	14.2	12.0
5-9 years	23.2	32.4	28.3
10-14 years	24.0	20.7	21.8
15-19 years	12.9	11.3	11.9
20 or more years	21.7	4.2	11.2

Number of Professional Colleagues

	Men	Women	All
None	29.6%	39.0%	34.6%
1-3	39.5	35.7	36.9
4-7	16.6	11.9	13.5
8-12	5.2	5.1	5.1
Over 12	9.0	8.4	8.4

Note: All figures are for 1992 unless indicated otherwise.
* Some respondents did not indicate sex and/or race.

SOURCE: National Society of Fund Raising Executives

Fund Raisers' Group Accused of Slighting Women

SAN FRANCISCO

Some women are accusing the National Society of Fund Raising Executives of not doing enough to put females in top leadership jobs. The critics say the society, which represents more than 12,000 fund raisers, will be stymied in its efforts to improve working conditions for women unless it puts more of them on its board.

Nearly 60 per cent of the organization's members are women, and the top staff job at the society is held by a woman, Patricia F. Lewis. However, the critics note that only a dozen of the society's 35 trustees are female and only three serve on its executive committee.

Ms. Lewis, the society's president and chief executive officer, defended the organization against charges of sexism.

When she was named to the society's board in 1985, she said, "I was impressed that so many women served in strong leadership capacities as officers and chairs of major committees."

Marianne G. Briscoe, an NSFRE board member and vice-president for advancement at Saint Mary's College of California in Moraga said the organization needed more women in key board slots so it could "take leadership on the issue of the status of women in the profession. If we don't do a good job of that in the society, we can't speak out about this to the public. Our credibility would be enhanced if we addressed this."

Special Meeting

Over two dozen female members of the society held a special meeting to discuss the issue of representation on the board during the group's annual meeting here. The women said they had decided they needed to speak out about their concerns after the board voted to put two men in charge of its executive committee. The two men are John S. Lore, senior vice-president of the St. John Health Corporation in Detroit, who was named chair-elect, and George J. Mongon, a consultant at Staley/Robeson/Ryan/St. Lawrence in Cincinnati, who was named vice-chair for professional advancement.

"I think it is important that women play a stronger role in the society in these positions," said Sandra A. Adams, a member of the society's board and chief development officer at the American Nurses' Association in Washington.

Mr. Mongon said the reason for the lack of women on the board might have to do with the fact that more men hold senior fund-raising jobs and females tend to have less fund-raising experience than men. However, he acknowledged that the woman critics "certainly have a point." —HOLLY HALL

Private Schools Said to Miss Opportunities to Win Support From Grant Makers Eager for New Ideas

By HOLLY HALL
SAN FRANCISCO

Fund raisers at private schools are missing new opportunities to gain corporate and foundation support for their institutions, says at least one foundation president.

Dennis A. Collins, who heads the James Irvine Foundation here, told school leaders gathered for the annual meeting of the National Association of Independent Schools that foundation and corporate officials are more likely to be open to proposals from independent schools than ever before.

While many grant makers have spent years trying to spur education reforms by concentrating on the public schools, some foundation and corporate-giving officers have been frustrated by the difficulties involved in overhauling large government bureaucracies, Mr. Collins said.

Conference Notebook

Private schools should take greater advantage of this situation, he said, by advancing programs to help solve persistent educational problems related to cultural diversity, quality of teaching, curricular design, and other such issues.

Some foundation officials regard private schools with suspicion, Mr. Collins acknowledged. They believe that problems in public education would be less severe if private schools had not siphoned off private gifts and the best students from public schools, he said.

But private schools, which were instrumental in creating the Advanced Placement Program (in which secondary-school students take college-level courses), innovations in the way mathematics and science are taught, and many other ground-breaking programs, could improve the quality of education by collaborating with public schools, instead of competing with them, Mr. Collins said. Private schools, with their small classes and their ability to take risks, may be attractive to grant makers as a reservoir of fresh ideas, he added.

However, too few fund raisers at private schools promote their schools that way, he said, and their money-winning techniques lag behind the strategies used by other non-profits.

Fund raisers at private schools, said Mr. Collins, "come off less well among those competing for grants." He said that more private-school leaders and fund raisers need to learn to:

► Communicate their schools' accomplishments and demonstrate that they are valuable resources that serve a wide range of people.

► Collaborate on efforts to solve social problems with other private and public agencies, including public schools. Many foundations would like to support cooperative arrangements between public and private schools, said Mr. Collins.

► Cultivate relationships with foundation and corporate-giving officials, which could mean holding off on requests for money and offering knowledge and expertise on educational issues to grant makers, many of whom are being asked to talk about education.

► Become less competitive in fund raising and begin cooperating with each other. "Fund raisers don't get together to discuss initiatives," said Mr. Collins. "Others in cultural and other development work do, and they've learned a lot. Independent schools need to do more of this."

■

Fund raisers at independent schools are earning a median salary of $40,375—meaning that half earn more or half earn less—during the current academic year, according to a new study conducted by the association. That represents a 5.6-per-cent gain over last year's median salary, which was $38,075. The increase is more than the rate of inflation, which was 3 per cent last year.

The growth in salaries is "a clear reflection of the importance and potential of voluntary support to these institutions," said Helen Colson, a development consultant to the association.

The salary findings are based on an annual survey of 610 schools.

The highest salaries were found on the East and West Coasts. Secondary schools paid more than elementary schools, and boys' schools paid more than either girls' or coeducational schools.

The survey findings are included in *NAIS Statistics 1991-1991: Tuitions, Teacher and Administrator Salaries*. The publication costs $10 for members and $50 for non-members, plus $2 for postage and handling. For a copy, write to NAIS, 75 Federal Street, Boston 02110.

■

Part-time development directors and heads of independent schools who divide their time between fund raising and other duties should focus first on annual-giving and major-gift programs, because those yield the most revenue, Ms. Colson told officials at the meeting.

About a quarter of independent schools don't have full-time development officers, she noted.

But "everyone needs a development staff; you've got to have it," Ms. Colson said. "Those who don't should start to plan for one right away. The head can't do it alone."

After getting annual-giving and major-gifts programs under way, "put everything else—special events, foundations, alumni relations, and publications—in the proper perspective," she said. Special events often take too much time, considering how little money they bring in, she said, so she suggested using volunteers to run those activities.

In addition, she advised schools with little professional fund-raising help to recruit parents with journalistic, fund-raising, or public-relations experience to help with alumni relations and publications.

"Keep publications and alumni relations simple," Ms. Colson said. "Think in terms of one letter to alums and one reunion, instead of several gatherings."

Seeking grants from foundations is not cost-effective for busy school chiefs or part-time fund raisers because it is too time-consuming, said Ms. Colson. "Private schools should hold off on grant seeking until they have a smoothly running development office in place," she added.

When an independent school decides to hire its first fund raiser, it should keep in mind that directors of development often make the third highest salary in the school, said Ms. Colson.

Small development offices often overlook research on prospective donors, but even a lone fund raiser should be doing as much as possible to find out about potential donors' interests, educational backgrounds, and financial resources, Ms. Colson said. If time is limited, she said, concentrate research on one to four people who are likely to make big gifts.

Conducting research and building a good relationship with donors can take a year or longer, she said. Fund raisers at independent schools, she added, need to remember that "raising money is 90 per cent preparation and 10 per cent solicitation." —HOLLY HALL

Salaries of Fund Raisers at Private Schools

Type of school	Median
Boarding	$36,000
Boarding–day	43,000
Day	40,000
Day–boarding	42,412
Girls'	41,020
Boys'	47,000
Coed	40,000
Elementary	34,750
Elementary/secondary	42,000
Secondary	42,000

School size	Median
Under 201 students	$32,500
201-300	35,000
301-500	42,000
501-700	47,950
Over 700	52,250

Region	Median
New England	$42,000
East	42,000
Middle Atlantic	38,000
Southeast	38,347
Midwest	38,125
Southwest	36,000
West	44,329
All schools	**$40,375**

SOURCE: National Association of Independent Schools

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Director of Planned Giving

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Henrietta Yelle Nissenbaum
Vice President
129 Mount Auburn Street
Cambridge MA 02138
617-497-4970
617-497-4974 (Fax)

IN BRIEF: Fund Raising

Stanford Ends $1.25-Billion Fund-Raising Drive

Stanford University raised more than $1.25-billion in its five-year Centennial Campaign, believed to be the largest fund drive ever completed by a non-profit organization. The university had set a goal of $1.1-billion.

The campaign received gifts of at least $1-million from 231 people and increased the university's endowment by $342.9-million.

While the campaign exceeded its overall dollar goal, some targets were not met. Richard Bennett, associate campaign director, said the university "didn't find any donors who were interested in" a $1.5-million effort to refurbish the Meyer Undergraduate Library, and that an effort to raise $5-million for arts-education programs collected just $400,000.

United Way Changes Plans After Dip in Unrestricted Aid

An unexpected spurt in donor-designated contributions has forced Seattle's United Way to scrap plans for a special distribution of funds for programs serving minorities and recent immigrants.

Last year the United Way of King County solicited proposals from local agencies, including small and emerging organizations, for programs intended to "serve the changing demographic needs of our communities." It anticipated having $1.2-million available for the program, which it called New Targeted Support.

The agency received requests totaling $5-million, and went on to raise $45.6-million in its campaign, slightly more than its goal.

But donor-designated contributions grew twice as fast as the United Way anticipated—to $8.6-million earmarked for 761 agencies. The result was that much less unrestricted money was available. Rather than reduce the amount of money it could give to the 147 non-profit organizations it supports, the United Way decided to finance none of the New Targeted Support proposals.

Donor-designated gifts to United Way of King County have grown from $5.6-million in the $38.5-million 1989 campaign—or less than 15 per cent of all gifts—to just under 20 per cent in the most recent campaign.

Easter Seal Group Raises $46-Million With Telethon

The National Easter Seal Society's 21st annual telethon raised a record $46-million this month in pledges from individuals and corporations.

The telethon raised $3-million more than last year's broadcast, an increase of 6 per cent. Corporate contributions jumped from $19.5-million to $24.5-million.

One official attributed the 20-per-cent increase in corporate support to the society's Social Responsibility Marketing program, which goes beyond seeking financial support from companies and has involved getting corporations to give jobs to disabled people.

Drive to Raise $5-Million Announced by Theaters

A consortium of non-profit theaters has begun a campaign to raise $5-million from national and local corporations.

To date, eight national and international corporations have pledged $500,000 to the Leadership Campaign for American Theatre. After $2.5-million has been raised, the 10 participating theaters will seek the same sum from companies in their local areas. The local gifts will be matched by disbursements from the national fund.

The campaign is being coordinated by the New York–based National Corporate Theatre Fund, which was created in 1978 to encourage corporate support of non-profit theaters.

Coercion Law Doesn't Apply to United Way, Court Rules

A Maryland law that prohibits companies from coercing their employees to make donations to certain organizations does not apply to the United Way, the Court of Appeals of Maryland has ruled in a split decision.

A Maryland statute makes it illegal "to engage in any act or conduct for the sole purpose of coercing or intimidating another person to contribute, or donate any goods, materials, services, or moneys to any social, economic, or political association or organization."

In a 5-2 decision, the court majority said that "no relevant written legislative history" exists to shed light on what state lawmakers intended the definition of "social, economic, or political" to cover when they wrote the statute.

However, the court said that the "usual and natural" meaning of those words would not encompass the United Way.

In a dissenting opinion, two judges said the court majority was "giving an ultra-narrow construction to the language of the statute" that was inconsistent with the legislature's obvious effort to stop coercion of employees.

The case arose when a Maryland woman, Lucille Ball, sued her former employer, United Parcel Service, in federal court, claiming that she was unlawfully fired because she refused to comply with the company's directive to donate part of her time and wages to the company's United Way drive. The company said she was fired for other reasons.

The federal court asked the state Court of Appeals for an advisory ruling on the meaning of the Maryland law.

Interest Rates for Planned Gifts

Following are the interest rates, provided by the Internal Revenue Service, for computing charitable deductions for charitable remainder trusts, gift annuities, charitable lead trusts, and some other deferred gifts.

April 1991	9.6%
May	9.6
June	9.6
July	9.6
August	9.8
September	9.6
October	9.0
November	8.6
December	8.6
January 1992	8.2
February	7.6
March	8.0

SOURCE: PG Calc Inc.

Campaign Update

Status and recent results of drives for endowments and capital improvements

	Started or announced	To conclude	Goal	Amount raised
Archdiocese of Omaha	Jan. 1991	Jan. 1997	$25,000,000	$26,400,000
Colorado School of Mines	July 1989	June 1994	60,000,000	38,000,000
Duke U. (N.C.)	Oct. 1982	Dec. 1991	400,000,000	565,000,000
Foundation for the Mid South (Miss.)	Summer 1990	Feb. 1992	3,000,000	3,003,000
Stanford U. (Cal.)	Feb. 1987	Feb. 1992	1,100,000,000	1,255,000,000
Studio Theatre (D.C.)	March 1992	March 1994	3,750,000	1,000,000
United Church of Christ (Ohio)	Sept. 1991	Aug. 1996	30,000,000	550,000
Wayne State U., Journalism Institute for Minorities (Mich.)	Jan. 1990	Feb. 1992	1,000,000	1,182,000

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Compensation for Top Executives at Selected Non-Profits

Human-Services Organizations

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
American Red Cross (Washington)	Elizabeth H. Dole, president[1]	$200,000	$5,000	—	$1,400,000,000	1991
Catholic Charities USA (Alexandria, Va.)[4]	The Rev. Thomas J. Harvey, executive director	51,088	6,158	0	3,185,108	1990
Council of Jewish Federations (New York)	Martin Kraar, executive vice-president	207,645	23,128	30,190	43,273,029	1990
Covenant House (New York)	Sister Mary Rose McGeady, president	99,231	0	0	53,787,136	1991
Family Service America (Milwaukee)	Geneva Johnson, president	127,583	—	—	8,874,000	1990
Goodwill Industries of America (Bethesda, Md.)[4]	David M. Cooney, president	155,709	16,710	14,000	5,958,872	1990
Habitat for Humanity International (Americus, Ga.)	Millard Fuller, president[2]	14,345	0	0	20,847,351	1990
Planned Parenthood Federation of America (New York)[4]	Faye Wattleton, president[2]	200,000	7,736	0	44,855,056	1990
Salvation Army (Alexandria, Va.)	James Osborne, national commander[3]	14,222	—	—	1,215,463,189	1990
Second Harvest (Chicago)[4]	Christine Vladimiroff, president	92,862	—	—	2,659,532	1990
United Jewish Appeal (New York)	Stanley B. Horowitz, president[2]	219,364	22,786	0	426,576,327	1990
YMCA of the USA (Chicago)	David R. Mercer, national executive director	185,520	22,262	—	1,438,455,518	1991
YWCA of the USA (New York)[4]	Gwendolyn C. Baker, executive director	124,808	—	—	8,843,208	1991

Health Organizations

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
American Cancer Society (Atlanta)	William M. Tipping, executive vice-president[2]	$208,231	$2,348	0	$356,404,566	1990
American Heart Association (Dallas)	Dudley H. Hafner, executive vice-president	246,000	38,846	0	288,489,000	1991
American Lung Association (New York)	John R. Garrison, managing director	195,000	9,721	0	121,042,885	1991
Arthritis Foundation (Atlanta)	Clifford M. Clarke, president	155,194	0	0	76,617,248	1990
Epilepsy Foundation of America (Landover, Md.)	William M. McLin, executive vice-president	163,760	19,612	0	31,890,921	1990
March of Dimes Birth Defects Foundation (White Plains, N.Y.)	Jennifer L. Howse, president	161,035	—	—	124,423,000	1990
Muscular Dystrophy Association (Tucson, Ariz.)	Robert Ross, executive director	284,808	2,817	34,571	118,819,046	1990
National Easter Seal Society (Chicago)	James E. Williams, Jr., president	143,499	11,336	0	284,196,789	1991
National Mental Health Association (Alexandria, Va.)	Preston J. Garrison, executive director[2]	78,898	12,948	0	1,530,097	1990
National Society to Prevent Blindness (Schaumburg, Ill.)	Robert Bolan, executive director	76,214	1,999	0	10,761,123	1991

Universities

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
Columbia University (New York)	Michael I. Sovern, president	$313,000	—	—	$970,665,000	1990
Duke University (Durham, N.C.)	H. Keith H. Brodie, president	266,750	59,752	0	942,334,352	1990
Harvard University (Cambridge, Mass.)	Derek C. Bok, president[2]	199,986	26,784	—	1,310,825,397	1990
Johns Hopkins University (Baltimore)	William Richardson, president[5]	275,671	49,228	0	1,279,162,000	1991
Stanford University (Cal.)	Donald Kennedy, president	231,000	63,760	0	1,266,152,000	1990
University of California at Berkeley	Chang-lin Tien, chancellor	175,000	1,166	0	582,144,000	1992

Relief and Development Organizations

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
Africare (Washington)	C. Payne Lucas, executive director	$68,601	0	0	$13,218,124	1991
AmeriCares Foundation (New Canaan, Conn.)	Stephen M. Johnson, president	95,000	6,871	0	53,368,778	1990
Christian Children's Fund (Richmond, Va.)	Paul F. McCleary, executive director	128,077	—	—	102,959,701	1991
Compassion International (Colorado Springs)	The Rev. W. H. Erickson, president	91,232	9,123	1,800	45,080,949	1991
CARE (New York)	Philip Johnson, president	137,103	0	0	337,803,000	1991
Feed the Children (Oklahoma City)	Larry Jones, president/director	85,601	9,545	18,470	73,545,627	1990
Lutheran World Relief (New York)[6]	Norman E. Barth, executive director	50,999	9,473	0	92,524,571	1990
Save the Children Federation (Westport, Conn.)	James J. Bausch, president[7]	204,593	44,492	0	97,846,236	1991
World Concern (Seattle)	Frederick Gregory, executive director	64,379	4,221	3,600	11,836,525	1990
World Vision (Monrovia, Cal.)	Robert Seiple, president	102,000	1,275	49,040	215,515,930	1990

Arts and Cultural Organizations

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
Art Institute of Chicago	James N. Wood, director	$236,642	$13,029	$1,000	$100,454,846	1991
Brooklyn Museum (N.Y.)	Robert Buck, director	135,000	—	0	18,142,661	1990
The Carnegie (Pittsburgh)	Robert C. Wilburn, president	155,223	11,187	20,183	54,360,727	1990
John F. Kennedy Center for the Performing Arts (Washington)	Ralph Davidson, chairman[2]	130,911	0	0	61,444,381	1990
KCET (Los Angeles)	William H. Kobin, president	220,470	21,994	2,879	35,095,477	1990
Lincoln Center for the Performing Arts (New York)	Nathan Leventhal, president	275,000	30,015	0	75,871,700	1991
Los Angeles County Museum of Art	Earl Powell, III, director	275,482	—	48,638	34,961,833	1990
Memphis Orchestral Society	Alan Balter, music director and conductor	75,000	0	4,200	2,556,885	1990
Metropolitan Museum of Art (New York)	Philippe de Montebello, director	171,766	0	43,000	183,041,594	1991
Music Center of Los Angeles County	Sandra A. Kimberling, president	154,973	38,165	2,400	14,437,113	1991
National Gallery of Art (Washington)	J. Carter Brown, director	195,000	73,055	0	86,455,091	1991
New York City Opera	Christopher Keene, general director	210,000	—	0	20,981,000	1990
New York Philharmonic	Allison Vulgamane, acting managing director[8]	108,135	—	—	31,958,965	1991
New York Public Library	Timothy S. Healy, president	149,589	450	0	166,921,822	1990
Ronald Reagan Presidential Foundation (Los Angeles)	Robert A. Higdon, Jr., director of finance	95,000	2,339	—	15,294,587	1990
San Francisco Symphony	Peter Pastreich, executive director	220,232	0	0	28,118,796	1990
Smithsonian Institution (Washington)	Robert McC. Adams, secretary	146,309	14,121	0	251,923,072	1990
Statue of Liberty–Ellis Island Foundation (New York)	Stephen A. Briganti, president[9]	218,398	29,748	0	21,091,748	1991
Thirteen/WNET (New York)	William F. Baker, president	204,356	61,307	0	104,649,048	1990
U.S. Holocaust Memorial Council (Washington)	Jeshajahu Weinberg, director	200,000	—	—	25,785,610	1991
WETA (Washington)	Sharon P. Rockefeller, president[10]	80,865	5,577	0	35,122,749	1990
WTTW (Chicago)	William McCarter, president	151,106	15,896	—	35,710,772	1990

Youth Organizations

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
Boy Scouts of America (Irving, Tex.)[4]	Ben H. Love, chief scout executive	$223,375	$7,745	$21,238	$88,665,049	1990
Boys and Girls Clubs of America (New York)[4]	Thomas Garth, national director	160,000	—	0	15,342,234	1990
Camp Fire Boys and Girls (Kansas City, Mo.)[4]	K. Russell Weathers, national executive director	114,991	—	—	3,818,429	1991
Father Flanagan's Boys' Home (Boys Town, Neb.)	The Rev. Val Peter, executive director	20,000	—	—	40,734,270	1990
Girl Scouts of the U.S.A. (New York)[4]	Mary Rose Main, national executive director[11]	133,845	21,274	0	44,820,620	1990
Girls Incorporated (New York)[4]	Margaret Gates, national executive director	92,619	0	0	3,725,510	1990
Junior Achievement (Colorado Springs)[4]	Karl Flemke, president	163,404	21,466	—	9,246,239	1991
Youth for Understanding (Washington)	William Woessner, president	106,846	—	—	23,925,170	1990

Environmental and Animal-Protection Organizations

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
Conservation International (Washington)	Peter Seligmann, chairman	$100,000	$10,806	0	$8,288,216	1990
Defenders of Wildlife (Washington)	Rupert Cutler, president	105,915	10,591	0	6,454,240	1990
Environmental Defense Fund (New York)	Frederic D. Krupp, executive director	150,760	7,534	0	14,967,592	1990
Friends of the Earth (Washington)	Michael Clark, president[2]	50,400	3,856	0	3,140,663	1990
Greenpeace USA (Washington)	Peter Bahouth, executive director[2]	45,000	0	0	47,636,803	1990
Humane Society of the United States (Washington)	John A. Hoyt, president	142,000	16,606	0	19,237,971	1990
National Parks & Conservation Association (Washington)	Paul C. Pritchard, president	108,228	5,411	0	8,717,167	1991
National Wildlife Federation (Washington)	Jay D. Hair, president	231,577	34,054	23,710	77,180,104	1990
Natural Resources Defense Council (New York)	John H. Adams, executive director	134,268	4,028	0	16,926,305	1991
Nature Conservancy (Arlington, Va.)	John C. Sawhill, president	185,000	14,075	0	254,251,717	1991
North Shore Animal League (Port Washington, N.Y.)	David J. Ganz, executive director	163,000	15,700	2,133	26,125,383	1990
Sierra Club Legal Defense Fund (San Francisco)	Fredric P. Sutherland, president[12]	159,788	15,979	0	8,783,902	1991
Trust for Public Land (San Francisco)	Martin J. Rosen, president	130,200	6,510	0	23,516,506	1991
Wilderness Society (Washington)	George T. Frampton, Jr., president	120,000	25,200	0	17,903,091	1990
World Wildlife Federation/Conservation Foundation (Washington)	Kathryn Fuller, president	146,612	9,500	0	51,155,823	1991

Community Foundations

	Top executive	Compensation	Benefits	Expenses	Foundation's total income	Fiscal year
California Community Foundation (Los Angeles)	Jack Shakely, president	$105,000	0	$7,200	$26,798,132	1990
Chicago Community Trust	Bruce L. Newman, executive director	178,000	0	0	46,347,626	1990
Hawaii Community Foundation (Honolulu)	Jane Smith, chief executive officer	72,875	0	0	22,433,014	1990
Hartford Foundation for Public Giving (Conn.)	Michael R. Bangser, executive director	95,000	0	0	29,658,625	1990
Louisville Community Foundation (Ky.)	Darrell Murphy, executive director[2]	57,900	4,632	0	6,703,159	1991
New York Community Trust	Lorie A. Slutsky, director	173,900	—	—	114,701,688	1990
Saint Paul Foundation	Paul A. Verret, president	126,101	16,596	0	29,143,914	1990
San Francisco Foundation	Robert M. Fisher, executive director	132,500	19,875	0	43,056,670	1991

Private Foundations

	Top executive	Compensation	Benefits	Expenses	Foundation's assets	Fiscal year
Ford Foundation (New York)	Franklin A. Thomas, president	$422,426	$36,634	—	$5,511,159,140	1990
J. Paul Getty Trust (Santa Monica, Cal.)	Harold Williams, president	509,001	0	13,351	5,251,845,004	1991
W.K. Kellogg Foundation (Battle Creek, Mich.)	Russell G. Mawby, chairman	350,000	30,000	12,946	5,396,889,094	1991
John D. & Catherine T. MacArthur Foundation (Chicago)	Adele S. Simmons, president and director	282,065	67,069	0	3,197,541,190	1990
Robert Wood Johnson Foundation (Princeton, N.J.)	Stephen A. Schroeder, president[13]	107,500	1,590	0	2,918,748,906	1990
Lilly Endowment (Indianapolis)	John M. Mutz, president	240,000	37,879	7,893	3,197,687,293	1990
Andrew W. Mellon Foundation (New York)	William G. Bowen, trustee and president	375,560	30,000	0	1,831,235,504	1990
Pew Charitable Trust (Philadelphia)	Rebecca W. Rimel, executive director	181,346	630	—	3,076,891,792	1990
Rockefeller Foundation (New York)	Peter C. Goldmark, Jr., president	346,500	42,333	0	1,962,761,224	1990
Robert W. Woodruff Foundation (Atlanta)	Charles H. McTier, president[14]	47,250	7,088	0	353,284,523	1990

Other Organizations

	Top executive	Compensation	Benefits	Expenses	Organization's total income	Fiscal year
American Association of Fund Raising Counsel (New York)[15]	Joanne Hayes, president	$80,500	—	—	$1,143,304	1990
Capital Research Center (Washington)	Willa Ann Johnson, chairman	51,500	0	0	738,142	1990
Center for Community Change (Washington)	Pablo Eisenberg, president	87,633	22,784	0	4,474,607	1991
Council of Better Business Bureaus (Arlington, Va.)	James H. McIlhenny, president	150,000	30,000	0	15,319,723	1990
Council on Foundations (Washington)	James A. Joseph, president	217,000	35,023	0	7,157,462	1990
Foundation Center (New York)	Thomas R. Buckman, president[2]	153,500	—	—	8,934,735	1990
Heritage Foundation (Washington)	Edwin J. Feulner, Jr., president	319,367	23,277	—	18,305,474	1990
Independent Sector (Washington)	Brian O'Connell, president	145,000	25,000	—	4,516,712	1990
InterAction: American Council for Voluntary International Action (Washington)	Peter Davies, president	64,046	—	—	3,029,096	1990
National Black United Fund (Newark)	William T. Merritt, president	55,654	5,000	0	672,546	1990
National Charities Information Bureau (New York)	Kenneth Albrecht, president	90,000	0	0	893,448	1990
National Committee for Responsive Philanthropy (Washington)	Robert O. Bothwell, executive director	54,186	3,793	0	516,290	1990
National Geographic Society (Washington)	Gilbert M. Grosvenor, president	343,701	23,377	—	459,545,339	1990
National Society of Fund Raising Executives (Washington)	Raymond Crabbs, president[16]	115,039	0	0	3,410,746	1990
National Trust for Historic Preservation (Washington)	J. Jackson Walter, president	172,516	34,503	0	28,094,343	1990

— No figure given on tax return. Some organizations reported reimbursing expenses but did not specify an amount.
[1] Served first year without pay; compensation effective February 1992. Benefits figure is approximate.
[2] No longer holds position.
[3] Salary shared by Mr. Osborne & his wife, Ruth, who is national president of the Salvation Army women's organizations. They received approximately $50,000 in total benefits, including salary, housing, and a car.
[4] Organization income is for national office only.
[5] Compensation figure includes $74,782 for housing.
[6] Figures are for January to September 1990 because of change in fiscal year.
[7] Compensation is base salary; received $52,587 in other compensation.
[8] Compensation is from January to August 1991; no longer holds position.
[9] Compensation includes one-time bonus of $71,000.
[10] Compensation figure is for seven months.
[11] Compensation figure is for February through September 1990.
[12] Deceased.
[13] Compensation figure is for July to December 1990.
[14] Mr. McTier received an additional $77,750 in salary and $11,663 in benefits for directing four other funds.
[15] Figures include AAFRC Trust for Philanthropy.
[16] Compensation figure is for eight months plus severance pay; no longer holds position.

SOURCE: IRS Form 990's, information from individual organizations.

Charities Under New Pressure to Explain How They Set Salaries

Continued from Page 1

varies widely, reflecting the organizations' diversity: They range from neighborhood health clinics, local arts groups, and community day-care centers to national health-care organizations, major metropolitan hospitals, and premier research universities. Even among national non-profits, compensation packages vary according to the size and type of organization.

A survey by *The Chronicle of Philanthropy* of more than 100 non-profits that raise money nationally confirms the broad differences between types of organizations, while underlining the disparities in compensation present even within the same field. A plurality of the salary figures fall between $100,000 and $200,000, with the largest private foundations, universities, and major cultural organizations generally paying above that range and advocacy and relief-and-development groups often paying below it.

Those results conform with other salary data, including a 1991 survey of 250 national non-profits by TPF&C, which specializes in executive-compensation issues. That survey found a median compensation figure of $140,000 among non-profit chief executive officers—meaning that half earned more, half less. The average compensation was $151,000. Among groups surveyed, compensation of top executives ranged from $50,000 to $500,000.

Several observers emphasize that even the highest compensation of non-profit chief executives does not approach that of the CEO's of many corporations—particularly when bonuses, stock options, and other incentives are added. And the great majority of non-profits are small, local groups with low budgets and meager compensation.

"The bulk of non-profit salaries are not in the stratosphere, they're in the basement," says Gerald Kaufmann, president of the Center for Non-Profit Corporations in New Jersey, "and workers often don't have medical insurance or retirement pay. As we look at the big national non-profits, and rightfully raise serious questions about those kinds of salaries, we've got to also understand that the average worker at a day-care center is making about $12,000—and the executive director may be making $24,000."

Business Still Pays More

The historic gap in compensation between non-profits and for-profit businesses persists, with workers in a range of jobs at non-profits generally receiving an average of about 75 per cent of the wages paid their counterparts in business or industry.

"We all agree that compensation in the non-profit world does not match that of the for-profit world," says David Lascell, a lawyer in Rochester, N.Y., who is chairman of the National Center for Non-profit Boards. "Most of us think this is part of the territory; those who choose to labor in the not-for-profit world understand that our rewards will be other than high compensation."

In the past decade, however, many non-profits have been encouraged to adopt management practices of for-profit companies—including improved compensation for their chief executives. The current spate of public attention comes just as boards have been showing growing respect for the technical skill and commitment required of executives at many large non-profits, says David Edell, president of Development Resource Group in New York, which conducts executive searches for non-profit clients.

Managing Hundreds of Workers

"They manage multimillion-dollar organizations, often with hundreds of staff," he says. "Their job requires them to be spokespeople, labor negotiators, fund raisers, and fiscally responsible managers, while also having a certain amount of expertise in the area of service. These guys for the first time are being respected for all of those skills, and being compensated in a way that enables them to live comfortably with their families in the kinds of cities they're required to live in, and motivates them to work and to stay."

If boards now clamp down on their salaries, as he fears they will, that will also limit compensation of the next generation of managers, he says, and may therefore affect non-profits' future leadership, as well.

"All of this comes out of a time when trustees have been extremely concerned about their ability to recruit and retain the best possible executives for the non-profit sector," says Mr. Edell.

Those gains for the most part have been limited to the top executive, he observes, adding that "the distance in salary between the CEO and the next person in the organization is sometimes dramatic."

Other observers also have detected a widening gap between the top salaries at non-profits and those of other staff members, as well as an erosion of the distinction between charities and for-profits in the eyes of the public.

"There's been a blurring of the line between non-profit and for-profit in the brains of the senior executives in very large non-profits," says Mr. Pratt of the Minnesota Council of Nonprofits, which has conducted statewide salary surveys. "If you accepted the thesis that these groups have become more like for-profits, compensation at all levels would be higher—but in fact, only the very top position is higher."

"The average worker at a day-care center is making about $12,000—and the executive director may be making $24,000."

Some non-profits—particularly large arts groups—pay their chief executives more than twice what the next-highest-paid employees earn. The Los Angeles County Museum of Art, for instance, paid its director a salary of $275,482 in 1990, compared with $90,882 for the development director. The Lincoln Center for the Performing Arts in New York paid its president $275,000 in 1991, and its senior vice-president $125,000.

Mr. Kaufmann acknowledges that many non-profits are adopting elements of a more corporate model, but adds: "We're being driven there by necessity, since the demand for services far outstrips the available resources." But he says the use of limousines and condominiums by charity directors crosses over a line. "We begin to lose our souls in the non-profit sector when that goes on," he adds.

"I think the idea of equating money and talent is a corporate model that is not our model," says Mr. Kaufmann. "Many people who are very smart come into the non-profit sector for other reasons."

Setting Wages Is an Art

Setting fair and reasonable compensation levels for non-profit executives, say many observers, is still more art than science. Boards must balance "an awareness of public sensitivity to the salaries of their top people—which at non-profits are public information," with "a perception that, if you pay people what you think the job is worth, you will get a better person and a better job done," says Toni Smith, senior director at Spencer Stuart in Chicago, which has done executive searches for a number of non-profits.

In practice, that often means establishing a salary range based on the organization's budget and staff size, mission, and administrative complexity—and then considering what compensation it would take to attract and retain the specific candidate the board wants to hire.

Non-Cash Benefits

When a board is reluctant to keep raising the salary of a long-time executive, says Ms. Smith, it sometimes offers non-cash compensation—like the use of a car, a special travel allowance, or a supplemental insurance policy or retirement package. "That happens frequently when you have somebody on board for any length of time, because most organizations have a figure where their comfort factor starts to slide if they go beyond it," she says.

Other executive perks can include memberships in professional clubs or associations, first-class air travel, tuition assistance, financial counseling, or an entertainment budget. Members of the public tend to associate some of those perks with corporate executives more than with heads of charities.

"It's a quandary for the field," says Gordon A. Raley, executive director of the National Assembly of National Voluntary Health and Social Welfare Organizations. "On the one hand, no one wants to defend excessively high salaries. But we need to keep in mind that the field is also faced with the need to attract young people into social-service management. How to compete for the best and brightest is the real challenge we face."

Group's Finances Affect Salaries

The wealth of an organization is one obvious determinant of its ability to compensate its executives. Private foundations, for example, pay much more generously than do community foundations, which must raise many of their own funds. At least six of the largest private foundations, for example, pay more than $300,000 to their highest-paid executives, while at community foundations those salaries seldom reach $200,000.

"There is a unique distinction to be made between charities that raise money from the public and large foundations that have endowments to be managed," says James A. Joseph, president of the Council on Foundations. The compensa-

Compensation information for these articles was compiled by Jennifer Moore, Kristin A. Goss, Holly Hall, Marty Michaels, Bruce Millar, Vince Stehle, and Grant Williams also contributed to these articles.

What Others Make

Federal Government	
George Bush, President	$200,000
Dan Quayle, Vice-President	166,200
George J. Mitchell, Senate Majority Leader	143,800
Thomas S. Foley, Speaker of the House	166,200
Senators and Representatives	125,100
William H. Rehnquist, Chief Justice	166,200
Associate Justices of the Supreme Court	159,000
State Governors	
Guy Hunt, Alabama	$70,233
Fife Symington, Arizona	75,000
Bill Clinton, Arkansas	35,000
Pete Wilson, California	85,000
Lowell P. Weicker, Jr., Connecticut	78,000
Arne Carlson, Minnesota	103,860
Mario M. Cuomo, New York	130,000
James G. Martin, North Carolina	123,000
Ann W. Richards, Texas	93,432
L. Douglas Wilder, Virginia	85,000
Top Executives at State Government Agencies	
James G. Ledbetter, commissioner, Georgia Department of Human Resources	$97,300
Jeff Richardson, director, Indiana Department of Human Services	71,318
William H. Jackson, director, Iowa Department of Cultural Affairs	67,895
Carolyn W. Colvin, director, Maryland Department of Human Resources	97,421
Corporate Executives	
John Sculley, Apple Computer (Cupertino, Cal.)	$2,199,000
G. Kirk Raab, Genentech (San Francisco)	675,000
Israel Cohen, Giant Food (Washington)	1,213,000
Martin S. Davis, Paramount Communications (New York)	3,646,000
Paul B. Fireman, Reebok International (Stoughton, Mass.)	14,822,000
Steven J. Ross, Time Warner (New York)	3,200,000
Stephen M. Wolf, UAL Corporation (Elk Grove Village, Ill.)	1,150,000
Michael D. Eisner, Walt Disney Company (Burbank, Cal.)	11,233,000
Joseph D. Williams, Warner-Lambert Company (Morris Plains, N.J.)	1,585,000
Dean L. Buntrock, Waste Management (Oak Brook, Ill.)	1,582,000
Celebrities	
Johnny Carson, television host/producer	$30,000,000
Sean Connery, actor	5,000,000
Bill Cosby, Jr., actor/comedian/author	58,000,000
Kevin Costner, actor/director	50,000,000
Michael Jackson, pop singer	25,000,000
Madonna, pop singer/actress	24,000,000
Charles M. Schulz, cartoonist	25,000,000
Darryl Strawberry, baseball player	3,800,000
Oprah Winfrey, television host/producer	42,000,000

SOURCES: Council of State Governments, Forbes

tion of private-foundation chief executives therefore tends to be pegged to the salaries prevailing at other large, complex non-profit institutions with significant endowments, like universities or museums, he says.

Trustees of large foundations or educational institutions whose compensation is based on a percentage of their assets or revenues can be handsomely rewarded. Trustees of the Bernice Pauahi Bishop Estate in Honolulu, for example, which supports the Kamehameha Schools, in some recent years have each received more than $600,000.

Decreasing Salary Gaps

There are other sharp differences in the ways non-profits determine what is an appropriate salary for their executives. Some observers believe the top executive's compensation should be linked to that of the lowest-paid employee. At such organizations, the board tries to limit the top salary to a specific multiple of the lowest salary.

At Greenpeace USA, for example, the lowest-paid support-staff worker receives $18,000 a year, while the executive director's job, from which Peter Bahouth resigned in December, now pays about $60,000. "What we've tried to do over the years is to keep [the ratio] as close to 3:1 as possible," says Steve D'Esposito, the acting executive director.

At the Center for Community Change in Washington, the salary of its president, Pablo Eisenberg, is $87,633—a bit more than three times the lowest salary, $26,500.

At least one grant maker will consider supporting only groups that have made a similar commitment. The Shalan Foundation in San Francisco limits its grants to organizations where the highest staff salary is no more than three times the lowest salary. The reason, says Catherine Lerza, the executive director, has less to do with curtailing high salaries than with raising lower ones.

"We don't believe rock-bottom wages should be the bottom line of any social-change organization," she says. "We think it's imperative that non-profits figure out reasonable salaries, health insurance, and pension plans that make it possible for people to stay in a non-profit career."

The 3:1 ratio "tends to be a screen for the kind of organization we like to fund: progressive social-change organizations," says Ms. Lerza—who adds that it applies to Shalan's three-person staff, too.

'Trying to Walk Our Talk'

Drummond Pike, who directed Shalan when the policy was made formal and who now directs the Tides Foundation, recalls that "we were trying to walk our talk" by establishing the policy. Because such low ratios are easier for small, egalitarian groups to achieve than for large, hierarchical ones, he adds, "of all the groups we were dealing with, the ones that had a hard time with that ratio were the national environmental groups."

All non-profits eventually must confront the tensions created by their desire to attract and retain competent staff members while also retaining the trust of the public—with the issue of compensation at the heart of that conflict.

"One of the things that comes out of this is that the charitable field should start taking a look at itself once again and reconsider whether some of the advice of the 80's is sound," says Mr. Albrecht of the National Charities Information Bureau. "It is always appropriate for a charity to seek to run as effectively and efficiently as possible. But does that have to mean all these commercial ventures—for-profit and not-for-profit spinoffs, and some of this corporate hocus-pocus? There's a public-service aspect to the work which is not the same as operating a business."

Such activities diverted some charities from their basic mission of public service, he says, adding: "It is time for charities to get back to basics, to remember who they are and what they are."

Charities Often Create Hurdles to Salary Information

Continued from Page 27

said its normal policy was to mail copies of its 990 only upon written request. When a visitor appeared in person, a staff member demanded a business card and asked a number of questions about how the information would be used before handing over the forms.

► The Council on Foundations required that a reporter make an appointment with its general counsel and copy information by hand in his office. A number of other organizations—including the Johns Hopkins University and the Los Angeles County Museum of Art—also refused to permit access to a copying machine and required visitors to copy information by hand.

► At Girl Scouts of the USA, the top financial official demanded a business card and an appointment before permitting a visitor to inspect—and copy by hand—information in the 990. (Perhaps recalling the Girl Scout promise "to help people at all times," however, a staff person did supply a cup and a pitcher of water.)

Tax-exempt groups "are going to be held to a higher standard of accountability than people working inside the tax system."

► The National Urban League, after first advising a reporter to wait until a financial officer returned from vacation and then saying the organization seldom releases its tax data, eventually permitted a visitor to copy the information by hand.

► Extracting a 990 from the National Gallery of Art in Washington proved a major undertaking that unfolded over three days, punctuated by demands from the general counsel's office for a written request and questions about how the information would be used. In the end, the form was made available for copying by hand.

► Ducks Unlimited, asked to provide its tax return to be used as part of a salary survey, did mail a copy of its 990—with all the salary information deleted.

Less Than 50% Complied

Others have had similar experiences collecting tax returns from non-profits. U.S. Rep. Richard T. Schulze, the Pennsylvania Republican who helped guide the disclosure requirement through Congress, periodically has had members of his staff visit non-profits asking to inspect the forms. "In 1989 and 1990, we found that under 50 per cent were complying with the law," says Rob Hartwell, the Congressman's chief of staff, who said Mr. Schulze plans another survey this year.

Lawrence B. Gibbs, a Washington lawyer who was commissioner of the Internal Revenue Service from 1986 to 1989, says he has noticed "a wide disparity between what the law requires and what some foundations and other charitable organizations provide to the public." While ignorance may be as much to blame as willful non-compliance, he says, the IRS in any case lacks the resources to insure that the nearly half-million non-profit organizations that file such returns comply with the law.

Non-profits can be fined $10 a day for not complying with the disclosure requirements—to a maximum $5,000 for any single tax return. And those who willfully fail to comply are subject to a further penalty of $1,000.

Changes in the Form

To help educate non-profits, the IRS has added to 990 forms for 1991 the words, "This form is open to public inspection" in a conspicuous place on Page 1, and, on Page 3, a note encouraging organizations to insure that the information is complete and accurate.

Mr. Hartwell, of Representative Shulze's office, says the problem of non-compliance may be ripe for scrutiny by Congress. "It's an area the IRS is going to have to look into," he says.

The disclosure requirement, he observes, "is unpopular with some non-profit organizations, but it is essential for maintaining the confidence of the American public. If tax-deductible dollars are going toward assisting these organizations in delivering their charitable services, certainly there has to be careful compliance with the tax laws that exist, and charitable organizations have to be very concerned about losing the public trust.

"These provisions are very helpful in helping the public determine how their dollars are being spent and how efficient these organizations are. If we didn't have them, some of the insights into the way the United Way was being run may not have come about."

To Drummond Pike, executive director of the Tides Foundation in San Francisco, a reluctance to reveal salary information reflects "what seems to be a growing blindness to the extraordinary historical privilege of this sector" of tax-exempt organizations.

He adds: "There's a *quid* for the *quo:* If you go to work for an organization that operates outside the tax system, you are going to be held to a higher standard of accountability than people working inside the tax system." Disclosure of salaries, he says, is part of that standard.

In private industry, says Mr. Pike, "if too much is creamed off by senior management, the business won't perform well and the shareholders will kick them out. But there's no parallel in the non-profit sector: If there's no disclosure, who's going to complain?"

IRS Rules on Disclosure by Charities and Foundations

Continued from Page 26

ments is also considered to have general circulation.) The notice must state that the annual return of the private foundation is available for inspection at its principal office during regular business hours by any citizen who requests inspection within 180 days after the date the notice is published. It must also show the address and telephone number of the private foundation's principal office and the name of its principal manager. A private foundation may designate, in addition to its principal office, any other location at which its annual return will be made available. Another location may also be designated if the foundation has no principal office or none other than the residence of a substantial contributor or foundation manager.

To ensure that the return is available for public inspection for the full 180-day period as required by law, do not publish the notice until the return has been completed and, in fact, is readily available for inspection upon request.

Attach a copy of the notice to the Form 990-PF filed annually with the Internal Revenue Service.

PENALTIES. If a foundation does not publish the notice and attach a copy of it to a timely filed return, there is a penalty of $10 a day, up to a maximum of $5,000 for any one return (section 6652(c)). The penalty is imposed on the person under a duty to act, but who fails to do so without reasonable cause. The penalty is also imposed on any person who fails to make the return (including all required attachments) available for public inspection according to the section 6104(d) provisions discussed above. If more than one person is responsible for either failure to act, each person is jointly and severally liable for the full amount of the penalty. Any person who willfully fails to comply shall be subject to an additional penalty of $1,000 (section 6685).

Through the IRS:

Both exempt organization returns and approved exemption applications may be inspected by the public at IRS district offices and the IRS National Office in Washington, D.C.

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, D.C. 20224. IRS Form 4506-A can be used to request a copy or to inspect an exempt organization return at an IRS office. The form offers further details on how requests for returns can be made, including how to write the proper district.

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OPINION

Commentary and Letters

Charities Must Act Now to Police Themselves

By PETER FRUMKIN

NON-PROFIT LEADERS must act quickly and decisively to counter public cynicism about all kinds of charities in the aftermath of press reports about questionable financial practices at United Way of America. If history is any clue, failure to do so could lead to a damaging onslaught of new federal and state regulation of charities.

The experience of private foundations during the 1960's should serve as a reminder to charities in the 1990's of what can happen if public criticism is not met head on and dealt with immediately. From 1962 to 1969, foundations were the subject of much criticism, as the press, state officials, and, eventually, members of Congress made the public aware of abuses by grant makers. The ultimate outcome was passage of the Tax Reform Act of 1969, which contained numerous punitive measures designed to show that foundations would no longer be trusted to regulate themselves.

MY VIEW

Charities need to come forward with proposals to set up a meaningful program of self-regulation—including perhaps some form of salary and expense guidelines—before government steps in.

Some of the charges directed at foundations in the years before 1969 bear a striking resemblance to those that United Way of America has faced in recent weeks. In 1968, members of Congress attacked the administrative expenses of the Rockefeller Foundation, which was said to be occupying overly elegant offices and spending too much on public relations for an organization seeking to improve the condition of mankind.

At the same time, McGeorge Bundy, then president of the Ford Foundation, came under fire for making eight travel-study grants to former members of Robert F. Kennedy's staff. The press and several influential lawmakers described those grants as Mr. Bundy's way of making gifts to the Kennedy political machine. (In his testimony before a Congressional committee, Mr. Bundy strongly denied any impropriety.)

Unfortunately for foundations, former U.S. Rep. Wright Patman, a Texas Democrat, was at the time in the midst of a seven-year personal crusade to bring foundations under close federal regulation. The controversial Ford grants and Rockefeller's administrative expenses provided crucial ammunition for Representative Patman in his populist quest to reign in foundations. He held a yearlong series of hearings, resulting in the 1969 Tax Reform Act, whose sweeping new regulations included requirements that foundations give away 6 per cent of their assets every year (a figure that has since been lowered to 5 per cent), pay an excise tax on their investment earnings, and publish an annual listing of the grants they made.

In assigning blame for the new regulations, foundations were not able to pin all their problems on the actions of one zealous Congressman. For years preceding the passage of the 1969 law, foundations sat passively on the sidelines as Congress and the press used a number of isolated incidents of poor judgment to portray all of philanthropy as an elite social club run amok. Grant makers failed almost completely to make the case to the public that philanthropy performed a valuable and important function in American society.

Although some members of the non-profit world, such as Manning Pattillo, then president of the Foundation Center, proposed that foundations voluntarily set up a rigorous accrediting program for themselves to avoid government intervention, the idea never really got off the ground until it was far too late. In the end, non-profit leaders underestimated the power of public opinion to mobilize Congress, and foundations never aggressively mounted a campaign to insure that a balanced picture of the work of philanthropy was presented.

Today, especially with the economy stalled and many Americans struggling, the disclosure of the generous compensation package that United Way of America provided to its former president, William Aramony, has stirred

LETTERS

How Foundations Should Tackle Society's Problems

TO THE EDITOR:

I always try to suppress the instinct to reply to Wally Nielsen, but this time the urge is irrepressible ("What Foundations Must Do to Tackle Society's Problems," February 11).

Let's start with Nielsen's finishing proposition that the "social justification" for foundations is their creativity in addressing society's basic problems. Surely foundations and their supporters have claimed too much in this regard, but utilitarian rationales of this sort are only remotely related to the historic and legal underpinnings of the foundation sector—and few philanthropic foundations have ever aspired to them, much less accomplished them.

Second, it is odd that the list of substantial achievements Nielsen mentions as the benchmarks of foundation creativity should be drawn entirely from the period before 1925. The Carnegie libraries, which he cites first, were of course largely pre-foundation creations. Which of the leaders of those early foundations, against whom today's foundation presidents are measured so harshly, were outstanding social activists? My own list would include only John Glenn of Russell Sage, which even then was more an operating than a grant-making foundation.

Most important, from my perspective as an historian of foundation funding of social research, is Nielsen's lament that foundation-funded research and experimentation have not paid off in social improvement in recent decades. Two things need to be said here. The first is that what Nielsen acknowledges as foundation contribution to government social programs, especially in the 1960's and 1970's, was indeed crucial to the promotion of social change in the United States, with the Ford Foundation taking the lead.

The second is that in fact foundations have always been somewhat ambivalent about social (as opposed to scientific) research, partly from fear of political reprisal (for taking the risks

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